

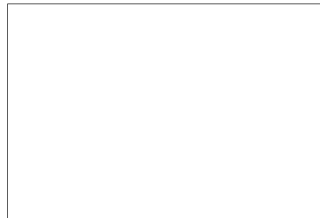
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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 5 October 1977 CG NIDC 77/232C

DIA review completed.

State Dept. review completed

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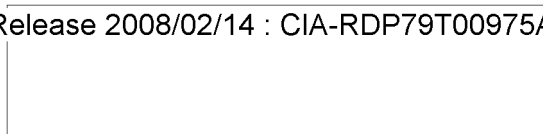
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National Intelligence Daily Cable for Wednesday, 5 October 1977.



The NID Cable is for the purpose of informing senior US officials.

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## ISRAEL: Palestinian Reactions

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[ ] Palestinian comment on the US-Soviet statement remains generally favorable. The Palestinian news agency's political editor in Beirut, in an unusually optimistic commentary on Monday, termed the statement "an advanced positive step toward realizing a just and permanent solution in the Middle East."

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[ ] Even a spokesman for the radical Popular Front for the Liberation of Palestine reportedly described the statement as "interesting." He went on to interpret it, however, as endorsing the right of the Palestinians to establish a "democratic state" with the Jews.

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[ ] The Palestine Liberation Organization's unofficial foreign minister, Faruq Qaddumi, also praised the communique as positive and said it reflected international efforts aimed at passage of a new UN Security Council resolution as a basis for a Middle East settlement. [ ]

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## EGYPT-USSR: Poor Trade Relations

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[ ] Egypt's suspension of cotton shipments to the USSR in August has reportedly led to speculation about Soviet retaliation. Soviet economic leverage on Egypt is minimal and even a complete rupture of trade ties with the USSR would be a temporary inconvenience rather than a serious hardship for Egypt.

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[ ] In 1976, the USSR provided less than 10 percent of Egypt's imports. The Soviet exports consisted primarily of industrial machinery and raw materials, which have little immediate impact on the disgruntled urban population and can be obtained elsewhere. We estimate that Egyptian exports to the USSR could be sold in Western and Arab markets for at least enough hard currency to cover purchases of goods now acquired in the USSR.

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[ ] The Egyptians have improved their chances of selling goods in the West since they realigned the value of their currency last year. Even Egyptian private manufacturers, who formerly sent up to 90 percent of their output to Communist countries, are finding customers in the West. [ ]

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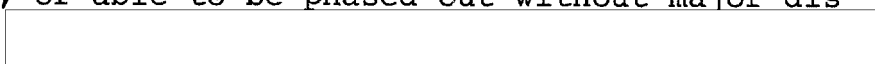


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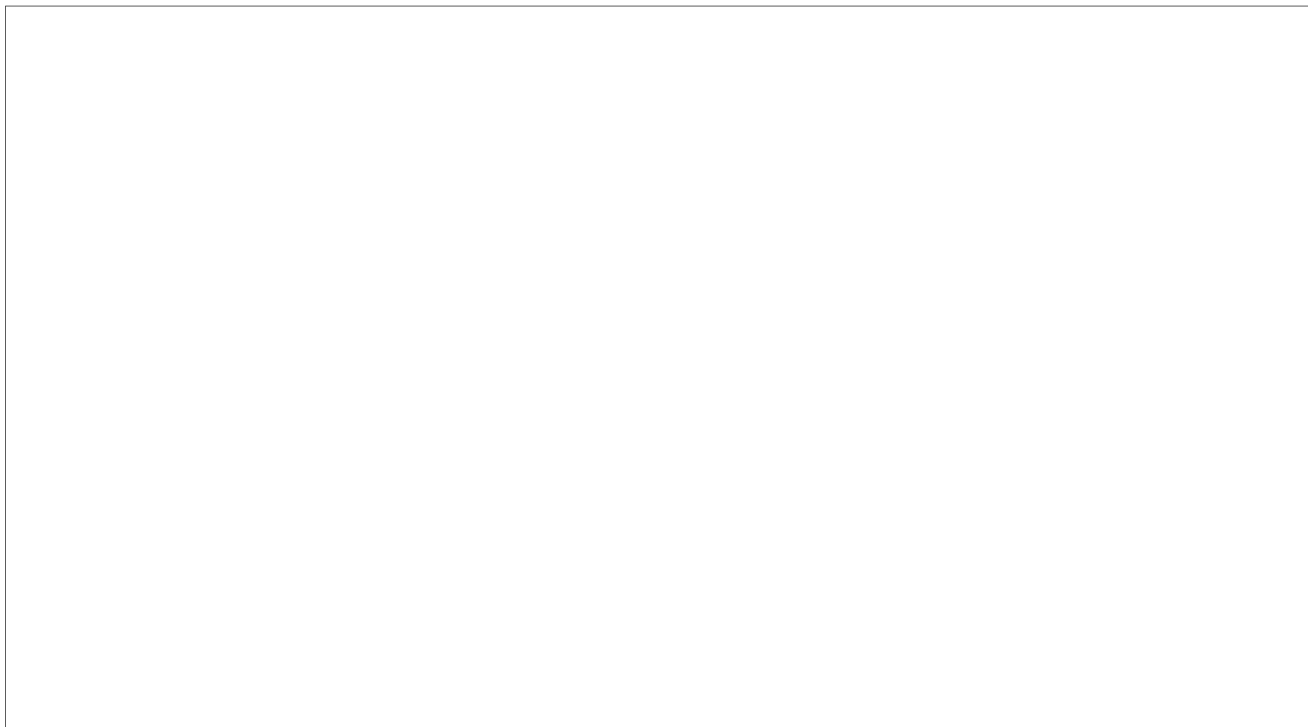
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 The Egyptian commercial attache in Moscow has denied that the USSR has ceased sending coking coal to Egypt as reported in Cairo media. There is also no evidence that Moscow is putting pressure on Poland to cut off its shipments. Coke shortages in the USSR and the congestion in the Egyptian port of Alexandria make long delays between coke shipments not uncommon. In any event, the Egyptians have already bought extra coking coal from Poland and should be able to keep the Helwan steel complex operating at current output levels for the next six months while they seek other suppliers.

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 The Egyptians would not have an immediate problem procuring spare parts and other industrial machinery. Most Soviet machinery in Egypt is very new, similar to machinery obtainable elsewhere, or able to be phased out without major disruption to output. 

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**NORTH YEMEN: Reconciliation**

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[ ] North Yemeni President Ibrahim al-Hamdi and his troublesome rival, tribal leader Abdallah al-Ahmar, may be about to reconcile their differences. A phased reconciliation agreement, drawn up under the sponsorship of Saudi Arabia, would if implemented strengthen the Yemeni Government's control of the northern part of the country and enhance relations between North Yemen and Saudi Arabia.

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[ ] some elements of the agreement, such as the release of political prisoners affiliated with Ahmar, already have been implemented. The Yemeni President also has agreed to make Ahmar his assistant for tribal and internal affairs--a post without authority in the government--and to reconvene Parliament. The composition of Parliament would be changed, however, to reduce its bias in favor of tribal interests.

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[ ] In return, Ahmar reportedly has lifted restrictions on travel in the northern part of the country, which is largely under tribal control, and has agreed to integrate tribal military units into the regular army.

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[ ] The Saudis, who in the past backed Ahmar as a buffer between themselves and the Yemeni government they did not completely trust, apparently applied considerable pressure on the tribal leader to resolve his differences with Hamdi. The Saudi move is likely to reduce Hamdi's resentment of past Saudi interference in Yemen on behalf of tribal leaders.

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[ ] In a further effort to assuage the Yemenis, the Saudis reportedly may replace their ambassador in Sana. He has alienated many Yemeni officials with his cavalier treatment of them.

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[ ] Soviet officials probably are apprehensive about what the reconciliation would mean for their position in Yemen. Although closer Yemeni ties to Saudi Arabia would work against Soviet interests, Hamdi is not likely to dispense completely with Soviet aid and advice any time soon.

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[ ] Leftist-oriented Yemenis also will see the moves toward reconciliation as a victory for conservatism, but there is little they can effectively do to block the agreement. One leftist minister reportedly has resigned in protest.

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[ ] Although the rapprochement currently appears to be on firm ground, previous efforts to reconcile Hamdi and Ahmar have failed, and the long history of enmity between the two will make an agreement difficult to sustain. [ ]

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#### SYRIA: Relations with Iraq

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[ ] *Syria recently has made several attempts to repair relations with Iraq as part of an apparent effort to prepare the ground for improving relations with "rejectionist" Arabs should Middle East peace negotiations falter. President Asad is anxious to keep all his options open and probably believes that the appearance of improving relations with Iraq will also strengthen his bargaining position in peace negotiations. Iraq has not responded, and the longstanding enmity between the two regimes is unlikely to abate so long as Asad remains willing to negotiate with Israel.*

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[ ] The Syrian press, for instance, has not responded to Iraqi propaganda attacks in recent weeks and has avoided comment on the expulsion of a Syrian diplomat from Baghdad. A Syrian cabinet official recently told the US Ambassador that Syria made an overture to Iraq during the Arab foreign ministers' meeting in Cairo in early September. Other Syrian officials have indicated that Damascus is attempting to accommodate Iraqi positions on international questions that are of no direct interest to Syria.

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[redacted] Syria's friendly gestures do not mean that Asad is moving toward severing ties with his moderate allies in Saudi Arabia, Jordan, and Egypt. Asad, however, would like to increase his leverage with the moderates and may have decided that he has nothing to lose at this point by attempting closer ties with his more radical neighbor.

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[redacted] //Much depends at this point on whether Syria can tolerate Iraq's continued rebuffs. Syria is not accustomed to the role of suitor, and Iraq is showing little interest in a courtship. The Iraqi press continues to flay Syria, and the Iraqi regime still supports anti-Asad factions within Syria and anti-Syrian groups in Lebanon.// [redacted]

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#### USSR: Report to the Supreme Soviet

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[redacted] Soviet President Brezhnev's report to the Supreme Soviet yesterday was primarily ceremonial and contained little substance. During the next three days, more than 1,500 deputies will be discussing amendments to the new Soviet constitution.

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[redacted] Brezhnev reported that the Constitutional Commission had recommended amending 110 of the 173 articles in the draft constitution and adding one new article. [redacted]

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[redacted] the new article would define the duties of the president's first deputy--a new position called for in the draft constitution first published in June. Under both the old and the new constitutions, there are to be 15 presidential deputies, one from each republic.

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[redacted] As if to demonstrate that the national "debate" had itself exemplified the democracy promised in the new constitution, Brezhnev discussed at length highlights of suggestions adopted or rejected by the commission. Citing numerous letters sent by Soviet citizens, he devoted considerable attention to certain "incorrect" proposals. The rejected proposals included suggestions for the elimination of private plots of land and the abolition of the union and autonomous republics, the homelands of the different nationalities of the USSR.

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[redacted] Brezhnev cited nine Western newspapers by name in defending the rights provisions of the constitution against alleged Western criticism. He referred sarcastically to the

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"concern" for human rights shown by "prominent leaders of the capitalist world." He also spoke of foreign attacks "from the left," which he attributed to bourgeois commentators and "some comrades in the ranks of the international working-class movement along with them," a mild but clear allusion to West European Communists.

#### USSR: Retirement Age Discussion

*The Soviets may be considering raising retirement ages to help offset an anticipated labor shortage in the 1980s. Recent arguments in the Soviet press for increasing retirement ages are being met with counter-arguments that early retirement is an advantage of the Soviet system that should be maintained.*

The Soviet labor force grew at an average annual rate of 1.7 percent in the 1970s. It will grow at less than 0.5 percent annually in the first half of the 1980s because of the decline in birth rates in the 1960s.

The USSR can no longer rely entirely on past remedies--such as drawing on surplus rural labor to work in urban industrial areas--to meet its manpower requirements. There are fewer redundant workers in the rural areas now, and most of the increase in the labor force during the next decade will be among the Turkic Peoples of Soviet Central Asia, who have consistently resisted migrating to labor-short industrial areas in the European USSR.

The current press debate marks the first time that changing the retirement age has been mentioned since the first old-age pensions were authorized in the late 1920s, allowing men to retire at age 60 and women at 55. In the past, there have only been suggestions for raising the participation rates of retired workers, including increasing their part-time employment opportunities, improving their working conditions, and increasing financial incentives for retirees.


One side of the current debate argues that increased life expectancy and improved health are grounds for assuming that the pension age should be increased in the future. Soviet life expectancy at birth has increased from 47 years in 1939 to about 70 years now. The countering argument states that

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early retirement is an advantage of the Soviet system that should be maintained and even codified in the new constitution that is soon to go into effect.

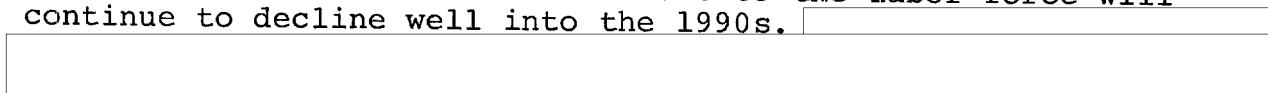
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 No action has been taken yet, but this debate, together with the recurrent theme of "better health and longer life expectancy" running throughout all suggestions for increased utilization of retirement-age workers, may be indicative of attempts to prepare the people for a statutory increase in the retirement age.

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 Notably lacking from this debate is any consideration of the impact of changing the retirement age. Any increase in the retirement age would provide only a one-time boost to labor force growth, while annual additions to the labor force will continue to decline well into the 1990s.


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#### CHINA-CAMBODIA: Pol Pot's Trip Ends


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 *Cambodian Prime Minister and Communist Party leader Pol Pot left China for North Korea yesterday, concluding a seven-day visit to Peking. The Chinese, who lavished their highest level treatment on the visitor, promised to "spare no effort" in developing relations with Cambodia--apparently signaling promises of continued Chinese assistance.*

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 The Chinese, already pleased by Pol Pot's distinct coolness toward the Soviet Union, were undoubtedly gratified to hear him publicly air his adherence to Mao Tse-tung's revolutionary teachings during his visit. China's ideological pretensions recently have been under attack by Albania, and the Chinese have been seeking support from other Communist parties.

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 The Chinese also welcomed the Cambodian move to be somewhat less secretive about party-to-party relations. The absence of routine public communications had led to speculation in the Western press that relations between the two countries were cooling.

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[redacted] The cordial welcome accorded Pol Pot, however, probably masked Chinese concern about Cambodia's thorny border problems with Vietnam and Thailand, and about atrocities reportedly committed by the Cambodian Communists in ruling the country.

[redacted] China's overriding interest in Southeast Asia since the end of the Vietnam war has been to stabilize the situation there in order to prevent new opportunities for Soviet involvement or Vietnamese expansionism.

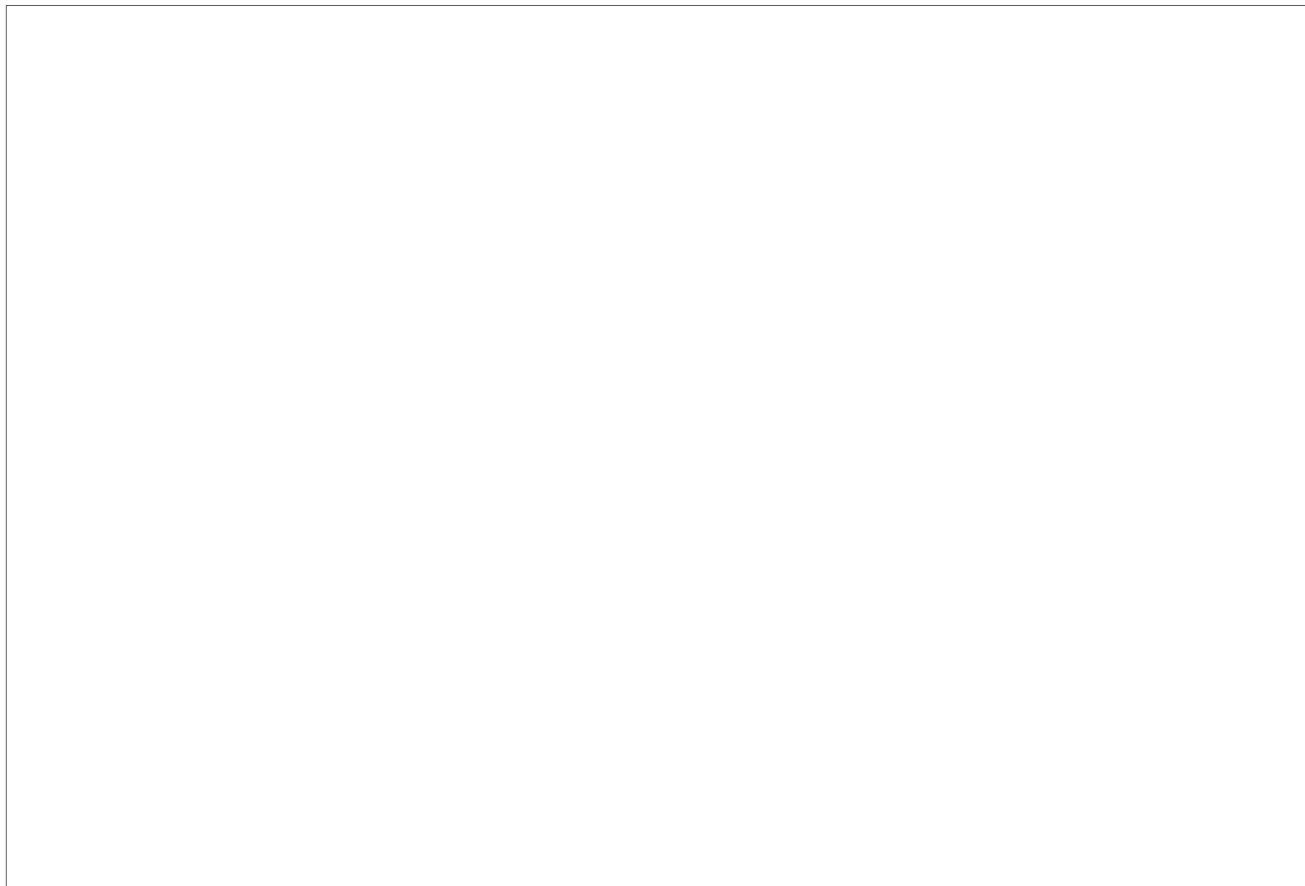
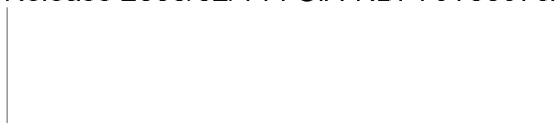
[redacted] Peking also seems unwilling to risk jeopardizing good relations with Phnom Penh over the question of the Cambodians' style of rule, despite privately expressed misgivings.

[redacted] In fact, the Chinese probably promised continued assistance to Cambodia during Pol Pot's stay. The Prime Minister's remarks in Peking suggest he sought help in the areas of agriculture, water conservation, health, and science and technology. He may also have requested further Chinese military assistance.


[redacted] Peking should not find it difficult to maintain or somewhat expand these forms of assistance, despite retrenchments elsewhere on foreign aid. [redacted]

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**VENEZUELA: Counterinsurgency**


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 *The inability of Venezuela's best counterinsurgency units to deal with guerrilla activities in the eastern part of the country is causing increasing concern in Caracas.*

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 //President Perez recently met with the heads of various military and National Guard units involved in countering insurgency and demanded that they stop the guerrilla activities. Perez and his security advisers do not believe that the extremists threaten the government, but regard them as a continuing political embarrassment that must be eliminated.//

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 Military officers are disgruntled because they believe their hands are tied by strict instructions to respect the human rights of suspected insurgents.

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[ ] Unless the government chooses to launch a major offensive in eastern Venezuela, it will be difficult to bring the guerrilla situation under control. Although there are at most only 120 to 150 insurgents, they operate in mobile, widely scattered bands in sparsely populated, hilly terrain where concealment is easy and where isolated ranches and settlements offer ready access to food and supplies.

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[ ] In dealing with this problem, Perez faces a dilemma. For the past several months, government officials have been denying that any problem exists. The opposition, calling attention to the discrepancy between government statements and what is being widely reported in the press, is demanding that the government tell the truth. [ ]

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## BRIEFS

## Somalia

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[ ] //Somali President Siad intends to present to the UN later this month Somalia's case for supporting secessionists in Ethiopia's Ogaden region. He intends to reiterate Somalia's official policy that the fighting is being conducted by insurgent groups attempting to regain control of their homeland from the "colonialist" Ethiopian Government.//

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[ ] //Siad will probably maintain an uncompromising position toward Ethiopia. He may also declare that Somalia does not intend to pursue its irredentist claim against Kenya--a declaration unlikely to appease the Kenyans, who believe their northeastern region will be Siad's next target. [ ]

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## East Germany

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[ ] East Germany is preparing to mark its national holiday on Friday with a larger than normal military parade in East Berlin including units of the East German Army. The East Germans intend the parade to reinforce their claim of "sovereignty" over East Berlin.

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The presence of regular army units in East Berlin would be a violation of the four-power agreements on the demilitarized status of greater Berlin, but this has occurred frequently in the past. As usual, the East Germans will probably ignore Western protests.

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Earlier this year, the East Germans dispensed with military ceremonies on May Day, making their country the last in Eastern Europe to do so and planned their military extravaganza for 7 October.

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Zaire

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Zaire and several large international banks still have not reached agreement on the terms of a major new loan. A US bank has failed to syndicate a five-year loan, and Zaire so far has rejected the bank's alternative offer of a 180-day revolving credit.

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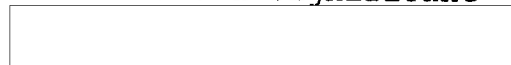
The \$250-million medium-term loan was first proposed a year ago at a meeting held to reschedule Zaire's debts to private banks. The loan was to hinge initially on Zaire's progress in meeting certain economic conditions laid down by the banks. Zaire has since complied with these conditions. Earlier this year, however, the loan syndication was postponed pending settlement of the fighting in Shaba Region.

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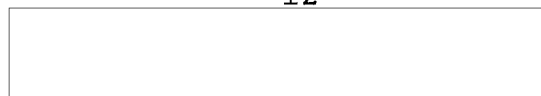


In rejecting the proposal for a revolving credit, Kinshasa has argued in part that this alternative would be contrary to conditions agreed to with Zaire's Government creditors in debt rescheduling negotiations earlier this year. If no agreement on a new loan is reached with the banks, a round of private debt rescheduling may result. Many of Zaire's bank creditors reportedly are willing to refinance or reschedule a significant portion of the country's private debt.

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